

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes in Net Assets	H 20
Statement of Cash Flows	I 21
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 22
Statement of Changes in Fiduciary Net Assets	K 23
Notes to Financial Statements	24-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 37
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	39-40
Schedule of Findings	41-45

West Central Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Cory Waddell	President	2005
Nathan Smith	Vice President (Resigned)	2005
Harry Light	Board Member (Appointed vice-president)	2007
Wally Moore	Board Member (Resigned)	2006
Bob Airhart	Board Member	2006
Deanna Harwood	Board Member	2007
Jeff Baker	Board Member	2007
Doug Wiles	Board Member (Appointed)	2005
Bob Schemmel	Board Member (Appointed)	2005

**Board of Education
(After September 2005 Election)**

Harry Light	President	2007
Bob Airhart	Vice President	2006
Deanna Harwood	Board Member	2007
Jeff Baker	Board Member	2007
Doug Wiles	Board Member	2008
Ray Clayton	Board Member	2008
Tony Wagers	Board Member	2008

School Officials

Dave Arnold	Superintendent	2006
Lisa Waddell	District Secretary/Treasurer and Business Manager	2006
Rick Engel	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3060
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Central Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Central Valley Community School District, Stuart, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Central Valley Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

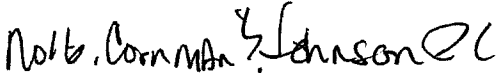
In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2006 on our consideration of West Central Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Central Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Central Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,245,792 in fiscal 2005 to \$7,522,760 in fiscal 2006, while General Fund expenditures increased from \$7,632,946 in fiscal 2005 to \$7,774,291 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$524,540 in fiscal 2005 to a balance of \$273,009 in fiscal 2006, a 47.9% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. Expenditures exceeded revenues ensuring the fund balance to decrease substantially.
- An increase in local option sales and service tax allowed the Capital Projects fund balance to increase from a balance of \$432,253 to \$517,013 at year-end.
- The School Nutrition Fund had an increase in salaries and benefits during the year and a decrease in revenues, which resulted in a decrease in fund balance from \$133,804 to \$105,118.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Central Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Central Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Central Valley Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
West Central Valley Community School District Annual Financial Report

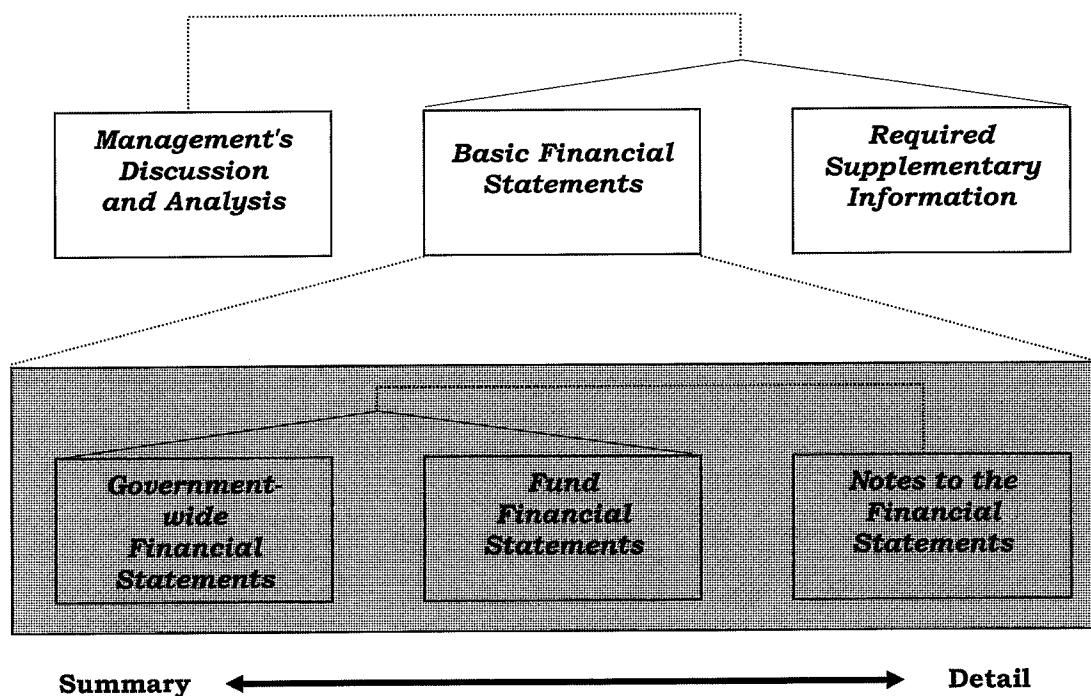


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition, the Greenhouse and Pop Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 5,202,144	5,171,866	79,697	124,246	5,281,841	5,296,112	-0.27%
Capital assets	1,163,532	1,166,500	75,380	65,706	1,238,912	1,232,206	0.54%
Total assets	6,365,676	6,338,366	155,077	189,952	6,520,753	6,528,318	-0.12%
Long-term obligations	128,004	160,088	0	0	128,004	160,088	-20.04%
Other liabilities	4,153,984	3,830,667	24,807	26,243	4,178,791	3,856,910	8.35%
Total liabilities	4,281,988	3,990,755	24,807	26,243	4,306,795	4,016,998	7.21%
Net assets:							
Invested in capital assets, net of related debt	1,163,532	1,166,500	75,380	65,706	1,238,912	1,232,206	0.54%
Restricted	723,936	691,246	0	0	723,936	691,246	4.73%
Unrestricted	196,220	489,865	54,890	98,003	251,110	587,868	-57.28%
Total net assets	\$ 2,083,688	2,347,611	130,270	163,709	2,213,958	2,511,320	-11.84%

The District's combined net assets decreased by 11.84% compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 4.73% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased 57.28% compared to the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 236,920	340,581	162,374	173,180	399,294	513,761	-22.28%
Operating grants and contributions and restricted interest	837,446	878,043	165,787	162,062	1,003,233	1,040,105	-3.55%
Capital grants and contributions and restricted interest	24,680	0	0	0	24,680	0	100.00%
General revenues:							
Property tax	2,965,183	2,832,939	0	0	2,965,183	2,832,939	4.67%
Local option sales and service tax	557,712	352,390	0	0	557,712	352,390	58.27%
Unrestricted state grants	3,692,923	3,555,314	0	0	3,692,923	3,555,314	3.87%
Other	194,378	32,863	92	83	194,470	32,946	490.27%
Total revenues	8,509,242	7,992,130	328,253	335,325	8,837,495	8,327,455	6.12%
Program expenses:							
Governmental activities:							
Instructional	5,268,902	5,076,141	0	0	5,268,902	5,076,141	3.80%
Support services	2,579,246	2,463,973	3,877	0	2,583,123	2,463,973	4.84%
Non-instructional programs	0	92,911	357,815	336,264	357,815	429,175	-16.63%
Other expenses	925,017	320,560	0	0	925,017	320,560	188.56%
Total expenses	8,773,165	7,953,585	361,692	336,264	9,134,857	8,289,849	10.19%
Change in net assets	(263,923)	38,545	(33,439)	(939)	(297,362)	37,606	-890.73%
Net assets beginning of year	2,347,611	2,309,066	163,709	164,648	2,511,320	2,473,714	1.52%
Net assets end of year	\$ 2,083,688	2,347,611	130,270	163,709	2,213,958	2,511,320	-11.84%

In fiscal 2006, property tax and unrestricted state grants account for 78.2% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$8.8 million of which \$8.5 million was for governmental activities and \$.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 6.12% in revenues and a 10.19% increase in expenses. The increase in expenses was related to the increase in construction costs during the year.

Governmental Activities

Revenues for governmental activities were \$8,509,242 and expenses were \$8,773,165.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,268,902	4,480,913
Support services	2,579,246	2,578,582
Other expenses	925,017	614,624
Totals	<u>\$ 8,773,165</u>	<u>7,674,119</u>

- The cost financed by users of the District's programs was \$236,920.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$862,126.
- The net cost of governmental activities was financed with \$2,965,183 in property tax, \$557,712 in local option sales and service tax, \$3,692,923 in unrestricted state grants, and \$25,725 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$328,253 and expenses were \$361,692. The District's business-type activities include the School Nutrition, Greenhouse and Pop Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the West Central Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,020,300, compared to last year's ending fund balances of \$1,313,339. However, the primary reason for the decrease was the increase in expenditures in the General Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. The increases in expenditures were too much for the District to offset, despite the increase in total revenues. Increases in revenues were due to the increases in state revenues received during the year. Expenditures increased in the instruction and other expenditures functions. Part of this is due to the increase in salaries and benefits paid out to employees. Another is the normal increases in prices of utilities, gas and other everyday expenditures. The decrease in fund balance from \$524,540 to \$273,009 was due to the fact that expenditures still exceed revenues.
- During the year, the District collected more in local option sales and service tax allowing the Capital Projects fund balance to increase \$432,253 during the current year to an ending fund balance of \$517,013 at year-end.

Proprietary Fund Highlights

The District has three proprietary funds, which were noted earlier. The School Nutrition Fund net assets decreased from \$133,804 at June 30, 2005 to \$105,118 at June 30, 2006.

Total expenditures for this fund increased due to increase in salaries and benefits paid out during the year. The Greenhouse fund balance decreased \$1,200 due to an increase in expenditures during the year. The Pop fund balance decreased \$3,553 due to no collection of revenues during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$121,579 more than budgeted revenues, a variance of 1.4%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1.24 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.54% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$170,501.

The original cost of the District's capital assets was \$5,530,112. Governmental funds account for \$5,384,622 with the remainder of \$145,490 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$461,905 at June 30, 2005 compared to \$509,281 at June 30, 2006. This increase is due to purchases made during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30, 2006		June 30, 2005		June 30, 2006		June 30, 2005-06
Land	\$ 136,941	136,941	0	0	136,941	136,941	0.00%
Buildings	592,690	633,360	0	0	592,690	633,360	-6.86%
Machinery and equipment	433,901	396,199	75,380	65,706	509,281	461,905	9.30%
Total	\$ 1,163,532	1,166,500	75,380	65,706	1,238,912	1,232,206	0.54%

Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding of \$128,004 in a bus loan, compensated absences and early retirement. This represents a decrease of 20% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

During June 2004, the District obtained financing for two buses. At June 30, 2006 there is \$62,000 left to be paid from the General Fund.

The District also had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$58,193 at June 30, 2006.

Compensated absence, which are payable from the General Fund, has an ending balance at June 30, 2006 of \$7,811.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,	June 30,	June 30,
	2006	2005	2005-06
Bus loan	\$ 62,000	62,000	0.0%
Compensated absences	7,811	0	100.0%
Early retirement	58,193	98,088	-40.7%
Totals	\$ 128,004	160,088	-20.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced stable enrollment for a few years, and trend continues with a .4 student increase in the October 2006 enrollment count.
- The District is receiving local option sales tax revenue from all 3 counties they are in. The third, Guthrie County, passed the issue in the 2005-06 school year.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period, which began in fiscal year 2005.
- Low allowable growth over several years and enrollment stability is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued increases in insurance and health premiums, along with price increases for utilities, gas and other everyday expenditures is allows a concern for the District as they try to control spending in the individual funds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Waddell, Business Manager, West Central Valley Community School District, P.O. Box 81, Stuart, Iowa, 50250.

BASIC FINANCIAL STATEMENTS

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,675,747	66,107	1,741,854
Receivables:			
Property tax:			
Delinquent	46,719	0	46,719
Succeeding year	3,260,764	0	3,260,764
Income surtax	27,860	0	27,860
Accounts	5,538	989	6,527
Due from other governments	185,516	0	185,516
Inventories	0	12,601	12,601
Capital assets, net of accumulated depreciation (Note 3)	1,163,532	75,380	1,238,912
Total Assets	6,365,676	155,077	6,520,753
Liabilities			
Accounts payable	170,608	0	170,608
Salaries and benefits payable	711,635	21,566	733,201
Deferred revenue:			
Succeeding year property tax	3,260,764	0	3,260,764
Other	10,977	0	10,977
Unearned revenue	0	3,241	3,241
Long-term liabilities (Note 4):			
Portion due within one year:			
Bus loan	62,000	0	62,000
Early retirement	40,281	0	40,281
Compensated absences retirement	7,811	0	7,811
Portion due after one year:			
Early retirement	17,912	0	17,912
Total Liabilities	4,281,988	24,807	4,306,795
Net Assets			
Investment in capital assets, net of related debt	1,163,532	75,380	1,238,912
Restricted for:			
Early intervention	34,838	0	34,838
Physical plant & equipment levy	35,288	0	35,288
Management levy	87,550	0	87,550
Capital projects	517,013	0	517,013
Other special revenue purposes	49,247	0	49,247
Unrestricted	196,220	54,890	251,110
Total Net Assets	\$ 2,083,688	130,270	2,213,958

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,336,163	96,039	499,114	0	(2,741,010)	0	(2,741,010)
Special instruction	1,108,876	25,833	52,619	0	(1,030,424)	0	(1,030,424)
Other instruction	823,863	114,384	0	0	(709,479)	0	(709,479)
	5,268,902	236,256	551,733	0	(4,480,913)	0	(4,480,913)
Support services:							
Student services	103,403	0	0	0	(103,403)	0	(103,403)
Instructional staff services	169,555	0	0	0	(169,555)	0	(169,555)
Administration services	959,193	0	0	0	(959,193)	0	(959,193)
Operation and maintenance of plant services	740,998	0	0	0	(740,998)	0	(740,998)
Transportation services	606,097	664	0	0	(605,433)	0	(605,433)
	2,579,246	664	0	0	(2,578,582)	0	(2,578,582)
Other expenditures:							
Facilities acquisitions	598,634	0	0	24,680	(573,954)	0	(573,954)
AEA flowthrough	285,713	0	285,713	0	0	0	0
Depreciation(unallocated) *	40,670	0	0	0	(40,670)	0	(40,670)
	925,017	0	285,713	24,680	(614,624)	0	(614,624)
Total governmental activities	8,773,165	236,920	837,446	24,680	(7,674,119)	0	(7,674,119)
Business-Type activities:							
Support services:							
Administration services	861	0	0	0	0	(861)	(861)
Operation and maintenance of plant services	3,016	0	0	0	0	(3,016)	(3,016)
	3,877	0	0	0	0	(3,877)	(3,877)
Non-instructional programs:							
Nutrition services	350,704	160,016	165,787	0	0	(24,901)	(24,901)
Greenhouse	3,558	2,358	0	0	0	(1,200)	(1,200)
Pop	3,553	0	0	0	0	(3,553)	(3,553)
	357,815	162,374	165,787	0	0	(29,654)	(29,654)
Total business-type activities	361,692	162,374	165,787	0	0	(33,531)	(33,531)
Total	\$ 9,134,857	399,294	1,003,233	24,680	(7,674,119)	(33,531)	(7,707,650)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,885,305	0	2,885,305
Capital outlay					79,878	0	79,878
Local option sales and service tax					557,712	0	557,712
Unrestricted state grants					3,692,923	0	3,692,923
Unrestricted investment earnings					25,725	92	25,817
Other					168,653	0	168,653
Total general revenues					7,410,196	92	7,410,288
Changes in net assets					(263,923)	(33,439)	(297,362)
Net assets beginning of year					2,347,611	163,709	2,511,320
Net assets end of year					\$ 2,083,688	130,270	2,213,958

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Special Revenue Funds	Total
Assets				
Cash and pooled investments	\$ 1,061,357	383,888	230,502	1,675,747
Receivables:				
Property tax				
Delinquent	42,911	0	3,808	46,719
Succeeding year	3,037,429	0	223,335	3,260,764
Income surtax	27,860	0	0	27,860
Accounts	5,538	0	0	5,538
Due from other governments	46,723	138,793	0	185,516
Total Assets	\$ 4,221,818	522,681	457,645	5,202,144
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 160,908	5,668	4,032	170,608
Salaries and benefits payable	711,635	0	0	711,635
Deferred revenue:				
Succeeding year property tax	3,037,429	0	223,335	3,260,764
Income surtax	27,860	0	0	27,860
Other	10,977	0	0	10,977
Total liabilities	3,948,809	5,668	227,367	4,181,844
Fund balances:				
Reserved for:				
Early intervention	34,838	0	0	34,838
Unreserved	238,171	517,013	230,278	985,462
Total fund balances	273,009	517,013	230,278	1,020,300
Total Liabilities and Fund Balances	\$ 4,221,818	522,681	457,645	5,202,144

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 1,020,300
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,163,532
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	27,860
Long-term liabilities, including bus lease payable, compensated absences and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(128,004)</u>
Net assets of governmental activities (page 13)	<u>\$ 2,083,688</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Special Revenue Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,725,701	557,712	239,482	3,522,895
Tuition	121,872	0	0	121,872
Other	143,172	0	164,454	307,626
State sources	4,341,752	0	154	4,341,906
Federal sources	188,463	24,680	0	213,143
Total revenues	7,520,960	582,392	404,090	8,507,442
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,317,451	0	12,120	3,329,571
Special instruction	1,107,176	0	0	1,107,176
Other instruction	693,117	0	135,457	828,574
	5,117,744	0	147,577	5,265,321
Support services:				
Student services	102,442	0	0	102,442
Instructional staff services	163,819	0	40	163,859
Administration services	921,651	0	62,473	984,124
Operation and maintenance of plant services	746,018	0	418	746,436
Transportation services	436,904	0	218,848	655,752
	2,370,834	0	281,779	2,652,613
Other expenditures:				
Facilities acquisitions	0	497,632	101,002	598,634
AEA flowthrough	285,713	0	0	285,713
	285,713	497,632	101,002	884,347
Total expenditures	7,774,291	497,632	530,358	8,802,281
Excess(deficiency) of revenues over(under) expenditures	(253,331)	84,760	(126,268)	(294,839)
Other financing sources:				
Sale of equipment	1,800	0	0	1,800
Net change in fund balances	(251,531)	84,760	(126,268)	(293,039)
Fund balance beginning of year	524,540	432,253	356,546	1,313,339
Fund balance end of year	\$ 273,009	517,013	230,278	1,020,300

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ (293,039)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amount of capital outlays and depreciation expense during the year are as follows:

Capital outlays	\$ 163,493	
Depreciation expense	<u>(166,461)</u>	(2,968)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Compensated absences	(7,811)	
Early retirement	<u>39,895</u>	<u>32,084</u>

Changes in net assets of governmental activities (page 14) \$ (263,923)

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	School Nutrition	Green House	Pop Fund	Total
Assets				
Cash and cash equivalents	\$ 40,955	1,844	23,308	66,107
Accounts receivable	989	0	0	989
Inventories	12,601	0	0	12,601
Capital assets, net of accumulated depreciation (Note 3)	75,380	0	0	75,380
Total Assets	129,925	1,844	23,308	155,077
Liabilities				
Salaries and benefits payable	21,566	0	0	21,566
Unearned revenues	3,241	0	0	3,241
Total Liabilities	24,807	0	0	24,807
Net Assets				
Investment in capital assets	75,380	0	0	75,380
Unrestricted	29,738	1,844	23,308	54,890
Total Net Assets	\$ 105,118	1,844	23,308	130,270

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2006

	School Nutrition	Green House	Pop Fund	Total
OPERATING REVENUE:				
Local sources:				
Other local sources:				
Charges for services	\$ 160,016	2,358	0	162,374
TOTAL OPERATING REVENUES	160,016	2,358	0	162,374
OPERATING EXPENSES:				
Support services:				
Administration:				
Services	500	0	0	500
Other	361	0	0	361
Operation and maintenance of plant:				
Supplies	3,016	0	0	3,016
	3,877	0	0	3,877
Non-instructional programs:				
Salaries	135,434	0	0	135,434
Benefits	22,185	0	0	22,185
Services	9,094	0	1,035	10,129
Supplies	174,120	3,558	2,518	180,196
Depreciation	9,871	0	0	9,871
	350,704	3,558	3,553	357,815
TOTAL OPERATING EXPENSES	354,581	3,558	3,553	361,692
OPERATING LOSS	(194,565)	(1,200)	(3,553)	(199,318)
NON-OPERATING REVENUES:				
Interest income	92	0	0	92
State sources	4,732	0	0	4,732
Federal sources	161,055	0	0	161,055
TOTAL NON-OPERATING REVENUES	165,879	0	0	165,879
Change in net assets	(28,686)	(1,200)	(3,553)	(33,439)
Net assets at beginning of year	133,804	3,044	26,861	163,709
Net assets end of year	\$ 105,118	1,844	23,308	130,270

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition	Green house	Pop Fund	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 159,467	0	0	159,467
Cash received from miscellaneous operating activities	1,012	2,358	0	3,370
Cash payments to employees for services	(159,438)	0	0	(159,438)
Cash payments to suppliers for goods or services	(173,425)	(3,558)	(3,634)	(180,617)
Net cash used in operating activities	(172,384)	(1,200)	(3,634)	(177,218)
Cash flows from non-capital financing activities:				
State grants received	4,732	0	0	4,732
Federal grants received	148,454	0	0	148,454
Net cash provided by non-capital financing activities	153,186	0	0	153,186
Cash flows from capital and related financing activities:				
Purchase of capital assets	(19,545)	0	0	(19,545)
Cash flows from investing activities:				
Interest on investments	92	0	0	92
Net decrease in cash and cash equivalents	(38,651)	(1,200)	(3,634)	(43,485)
Cash and cash equivalents at beginning of year	79,606	3,044	26,942	109,592
Cash and cash equivalents at end of year	\$ 40,955	1,844	23,308	66,107
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (194,565)	(1,200)	(3,553)	(195,765)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	12,601	0	0	12,601
Depreciation	9,871	0	0	9,871
Decrease in inventories	1,576	0	0	1,576
Increase in accounts receivable	(512)	0	0	(512)
Decrease in accounts payable	(511)	0	(81)	(511)
Decrease in salaries and benefits payable	(1,819)	0	0	(1,819)
Increase in unearned revenue	975	0	0	975
Net cash used in operating activities	\$ (172,384)	(1,200)	(3,634)	(173,584)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 40,955	1,844	23,308	66,107

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$12,601.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2006

	<u>Private-purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 213,905</u>
Liabilities	<u>0</u>
Net Assets	
Unreserved	15,391
Reserved for scholarships	<u>198,514</u>
Total Net Assets	<u><u>\$ 213,905</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2006

	Private-purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Interest income	\$ 8,986
Donations	25,000
TOTAL ADDITIONS	<u>33,986</u>
DEDUCTIONS:	
Instructional:	
Other:	
Scholarship awarded	<u>16,250</u>
Change in net assets	17,736
Net assets beginning of year	<u>196,169</u>
Net assets end of year	<u>\$ 213,905</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The West Central Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Stuart, Menlo, Dexter and Redfield, Iowa, and the predominate agricultural territory in Adair, Dallas and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Central Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Central Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adair, Dallas and Guthrie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

There were no investments at June 30, 2006.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 136,941	0	0	136,941
Total capital assets not being depreciated	136,941	0	0	136,941
Capital assets being depreciated:				
Buildings	3,546,625	0	0	3,546,625
Machinery and equipment	1,663,984	163,493	126,421	1,701,056
Total capital assets being depreciated	5,210,609	163,493	126,421	5,247,681
Less accumulated depreciation for:				
Buildings	2,913,265	40,670	0	2,953,935
Machinery and equipment	1,267,785	125,791	126,421	1,267,155
Total accumulated depreciation	4,181,050	166,461	126,421	4,221,090
Total capital assets being depreciated, net	1,029,559	(2,968)	0	1,026,591
Governmental activities capital assets, net	\$ 1,166,500	(2,968)	0	1,163,532
Business-type activities:				
Machinery and equipment	\$ 135,711	19,545	9,766	145,490
Less accumulated depreciation	70,005	9,871	9,766	70,110
Business-type activities capital assets, net	\$ 65,706	9,674	0	75,380

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 9,772
Special	1,700
Other	4,004

Support services:

Instructional staff services	29,665
Administration services	1,645
Operation and maintenance of plant services	498
Transportation	72,676

119,960

Unallocated depreciation

40,670

Total governmental activities depreciation expense

\$ 160,630

Business-type activities:

Food services	\$ 9,871
---------------	----------

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Bus loan	\$ 62,000	0	0	62,000	62,000
Compensated absences	0	7,811	0	7,811	7,811
Early retirement	98,088	23,407	63,302	58,193	40,281
Total	\$ 160,088	31,218	63,302	128,004	110,092

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of service, ten of which must be continuous years, to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee is equal to subtracting the current base pay from the current salary. Early retirement expenditures for the year ended June 30, 2006 totaled \$63,302.

Bus Loan Payable

During the year ended June 30, 2004, the District obtained financing for two new buses. The following is a schedule as of June 30, 2006 of payments to be made from the General Fund under the agreement in effect.

Year			
Ending			
June 30,	Principal	Interest	Total
2007	\$ 62,000	1,085	63,085

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005, 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$224,427, \$250,397, and \$244,273 respectively, equal to the required contributions for each year.

(6) Risk Management

West Central Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$285,713 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,952,393	162,466	4,114,859	3,958,260	3,958,260	156,599
Intermediate sources	0	0	0	1,000	1,000	(1,000)
State sources	4,341,906	4,732	4,346,638	4,406,856	4,406,856	(60,218)
Federal sources	213,143	161,055	374,198	348,000	348,000	26,198
Total revenues	8,507,442	328,253	8,835,695	8,714,116	8,714,116	121,579
Expenditures:						
Instruction	5,265,321	0	5,265,321	5,781,414	5,781,414	516,093
Support services	2,652,613	3,877	2,656,490	3,182,000	3,182,000	525,510
Non-instructional programs	0	357,815	357,815	553,887	553,887	196,072
Other expenditures	884,347	0	884,347	1,200,322	1,200,322	315,975
Total expenditures	8,802,281	361,692	9,163,973	10,717,623	10,717,623	1,553,650
Excess(deficiency) of revenues over(under) expenditures	(294,839)	(33,439)	(328,278)	(2,003,507)	(2,003,507)	1,675,229
Other financing sources, net	1,800	0	1,800	2,000	2,000	(200)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(293,039)	(33,439)	(326,478)	(2,001,507)	(2,001,507)	1,675,029
Balance beginning of year	1,313,339	163,709	1,477,048	2,176,200	2,176,200	(699,152)
Balance end of year	\$ 1,020,300	130,270	1,150,570	174,693	174,693	975,877

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Total
Assets				
Cash and pooled investments	\$ 143,201	34,279	53,022	230,502
Receivables:				
Property tax:				
Current year delinquent	2,542	1,266	0	3,808
Succeeding year	140,000	83,335	0	223,335
Total Assets	\$ 285,743	118,880	53,022	457,645
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 0	257	3,775	4,032
Deferred revenue:				
Succeeding year property tax	140,000	83,335	0	223,335
Total liabilities	140,000	83,592	3,775	227,367
Fund balances:				
Unreserved	145,743	35,288	49,247	230,278
Total fund balances	145,743	35,288	49,247	230,278
Total Liabilities and Fund Balances	\$ 285,743	118,880	53,022	457,645

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Total
REVENUES:				
Local sources:				
Local tax	\$ 159,604	79,878	0	239,482
Other	16,737	150	147,567	164,454
State sources	101	53	0	154
TOTAL REVENUES	176,442	80,081	147,567	404,090
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	10,268	1,852	0	12,120
Other instruction	0	0	135,457	135,457
	10,268	1,852	135,457	147,577
Support services:				
Instructional staff services	0	0	40	40
Administration services	62,473	0	0	62,473
Operation and maintenance of plant services	0	400	18	418
Transportation services	94,837	124,011	0	218,848
	157,310	124,411	58	281,779
Other expenditures:				
Facility acquisition	0	101,002	0	101,002
	0	101,002	0	101,002
TOTAL EXPENDITURES	167,578	227,265	135,515	530,358
Excess(deficiency) of revenues over(under) expenditures	8,864	(147,184)	12,052	(126,268)
Fund balance beginning of year	136,879	182,472	37,195	356,546
Fund balance end of year	\$ 145,743	35,288	49,247	230,278

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ (1,235)	53,805	44,800	7,770
Jump for heart	933	0	0	933
Play	4,241	844	1,181	3,904
Musicals	3,484	3,444	3,397	3,531
Football fundraiser	311	0	311	0
Volleyball fundraiser	48	0	48	0
Photo club	102	0	102	0
Cheerleading	696	789	590	895
Class of 2003	913	0	913	0
Class of 2004	77	0	77	0
Class of 2005	1,367	0	1,367	0
Class of 2006	2,540	75	2,192	423
Class of 2007	3,239	10,990	12,634	1,595
Class of 2008	199	889	51	1,037
Class of 2009	0	430	69	361
Menlo WC pride elementary	3,735	21,070	16,915	7,890
Dexter, Redfield WC pride elementary	826	4,534	3,239	2,121
MS special events	983	17,659	17,581	1,061
HS West Central pride	607	2,461	2,771	297
FFA	11,950	12,060	12,371	11,639
FCCLA	262	577	50	789
Flag/Drill team	2,112	1,520	1,403	2,229
Science Fair	(524)	2,725	1,999	202
HS student council	629	794	272	1,151
MS student council	2,176	4,658	3,243	3,591
HS yearbook	(1,830)	7,443	7,915	(2,302)
MS yearbook	(603)	733	0	130
Business operations	(67)	67	0	0
Cultural club	24	0	24	0
Total	\$ 37,195	147,567	135,515	49,247

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	3,522,895	3,185,464	2,941,388	3,160,321
Tuition		121,872	123,119	92,374	136,421
Other		307,626	250,325	249,459	312,918
Intermediate sources		0	0	740	250
State sources		4,341,906	4,155,901	3,716,899	3,667,785
Federal sources		213,143	277,456	172,395	213,982
Total	\$	8,507,442	7,992,265	7,173,255	7,491,677
Expenditures:					
Instruction:					
Regular instruction	\$	3,329,571	3,242,719	3,128,480	3,118,302
Special instruction		1,107,176	1,103,568	1,161,434	1,067,034
Other instruction		828,574	717,999	559,955	576,812
Support services:					
Student services		102,442	105,987	118,304	136,121
Instructional staff services		163,859	221,747	232,589	160,901
Administration services		984,124	865,928	876,788	802,135
Operation and maintenance of plant services		746,436	863,258	719,670	677,659
Transportation services		655,752	474,238	513,264	563,527
Non-instructional:					
Food service		0	103,676	54,917	17,386
Community service and education operations		0	0	0	6,142
Other expenditures:					
Facilities acquisitions		598,634	456	146,395	142,003
Long Term Debt:					
Principal		0	82,000	60,000	0
Interest		0	5,045	6,689	0
AEA flow-through		285,713	274,845	267,733	282,917
Total	\$	8,802,281	8,061,466	7,846,218	7,550,939

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3060
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
West Central Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Central Valley Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Central Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 is a material weakness.

Compliance and Other Matters

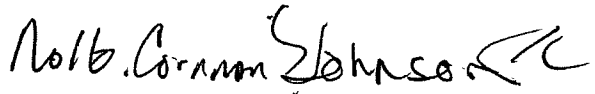
As part of obtaining reasonable assurance about whether West Central Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of West Central Valley Community School District and other parties to West Central Valley Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Central Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2006

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-06 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District's checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - We will change our procedures to follow compliance.

Conclusion - Response accepted.

I-C-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - Checks were researched and followed up with action with the company or individual.

Conclusion - Response accepted.

- I-D-06 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - The District shall reconcile on a timely basis.

Conclusion - Response accepted.

- I-E-06 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).

More specifically, there were deposits for Box Tops for Education; and expenditures made from the elementary, MS and HS accounts that would more properly be accounted in another fund.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will review the activity fund accounts and identify those that should not be included and the District will follow proper procedures of transferring the funds receipts and expenditures.

Conclusion - Response accepted.

- I-F-06 Sponsor Procedures - We noted during our audit that a sponsor did not turn in collected receipts to the administration office for deposit. The sponsor maintained the cash collection in their office and subsequently bought and paid for purchases from the available cash on hand.

The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The maintenance of the undeposited funds in the office provides a risk of loss due to possible theft, improper use or loss, as well as lack of reporting of the funds. The District is required to maintain records for the student activity fund.

In addition to the collection and maintaining of the monies in the office the sponsor also made purchases from undeposited money. These purchases did not have proper approval of the board. Chapter 279.29 of the Code of Iowa requires all purchases to be audited and allowed by the board. The sponsors' actions, have replaced the approval of the purchases to his level. The board has in essence been eliminated in any say of the appropriateness of the purchases.

Recommendation - The possible impropriety of revenues and expenditures is undeterminable without records to document the transactions of posting of receipts and expenditures. The district should take necessary steps to require all individuals to turn in collected money and should require all expenditures to go through the disbursing procedures as required by the Board of Directors. Sponsors who knowingly circumvent the processes and procedures prescribed by the Board of Directors should be held accountable for their actions, as they pose a substantial risk for loss of assets and improper use of funds which the Board of Directors is held accountable.

Response - The District has provided a Business Office procedure handbook to all staff and coaches that specifically addresses this procedure and this was discussed in a meeting of all staff and coaches.

Conclusion - Response accepted.

I-G-06 Supporting Documents for Meal Reimbursements - It was noted during the audit, an instance of a meal reimbursement which lacked a detailed receipt for supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users need to provide detailed receipts for purchases made. The District should review procedures in place with personnel to ensure the proper detailed documentation will be available with paid meal reimbursements.

Response - The District will make sure detailed receipts are provided before reimbursements are made.

Conclusion - Response accepted.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Bob Schemmel, Board Member Owns Community Lumber	Supplies	\$7,283
Michelle Otto, Sponsor Spouse owns Otto Drywall	Supplies	\$15,619
Sharon Sloss, Principal Spouse owns Stuart Appliance	Supplies	\$42,143

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Bob Schemmel, due to competitive bidding, do not appear to be a conflict of interest.

In accordance with Attorney's General opinion dated November 9, 1976, the transaction with the spouses of Sharon Sloss and Michelle Otto do not appear to be a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner, and not always signed by the president and/or board secretary.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. They should also make sure that the minutes are properly signed after final review.

Response - The District will submit minutes to the newspaper immediately following the Board meeting to ensure timely publication and will have all minutes signed by the Board President and Board Secretary. This is now part of an office procedure monthly checklist.

Conclusion - Response accepted.

- II-G-06 Certified Enrollment - We noted that the number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2005 was overstated. The District's certified enrollment count on line 1 was overstated by 1 student, and line 2 was overstated by 1.3 students. This resulted in overstating the total actual enrollment at line 7 by 2.3 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District has contacted the Iowa Department of Education.

Conclusion - Response accepted.

- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

- II-J-06 Deficit Balances - We noted during our audit that there are negative individual account balances within the Special Revenue, Student Activity fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit balances.

Response - The District will continue to monitor student activity accounts and not allow negative balances.

Conclusion - Response accepted.